Ceiling on Public Debt

1156. PROF. NAUNIHAL SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government are considering a legislative ceiling on public debt;

(b) if so, the details thereof;

(c) whether it is a fact that the net liabilities of Government are expected to touch one fifth of the nominal GDP by end of 1996-97; and

(d) if so, what steps are being contemplated by Government to contain government borrowing?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b) The feasibility of putting a statutory ceiling on borrowing by the Government is under consideration.

(c) The excess of liabilities over capital outlay and loans advanced at the end of 1996-97 (BE) works out to 19.4% of the projected GDP.

(d) Government would endeavour to contain the fiscal deficit (additional borrowing) maximising revenues and controlling expenditure.

Steps taken by RBI to Ease Credit Flow

1157. SHRIMATI VEENA VERMA:
SHRI SUSHILKUMAR SAMBHAJIRAO SHINDE:
SHRI RAJUBHAI A. PARMAR:

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India (RBI) had taken various steps to ease credit flow to give a boost to economy such as cutting down the Cash Reserve Ratio (CRR) for banks;

(b) if so, the details thereof;

(c) which steps have been taken to ensure that bankers pass on the benefits to borrowers; and

(d) how the decision to cap the interest rates on term deposits would affect the interest of common depositors?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (c) In the monetary policy for the second half of 1996-97, Reserve Bank of India (RBI) have announced further reduction of Cash Reserve Ratio (CRR) in phases from 12.0 per cent to 10.0 per cent. Each percentage point reduction in CRR would enhance the lendable resources of banks by about Rs. 4275 crores. RBI have also advised banks that alongwith the announcement of their PLR, banks should also announce the maximum spread over the PLR for all advances other than consumer credit. In the light of the measures announced by RBI, banks have responded by reducing their Prime Lending Rate (PLR) appropriately.

(d) While offering deposit rates for various maturities, the factors taken into account by banks include the cost and return on funds, the inter-bank borrowing/lending status of the individual banks, rate of inflation, the- pace of monetary expansion, the relative attractiveness of other saving instruments, return on deployment of such funds and viability and profitability of banks, RBI have reported that the ceiling of 'not exceeding 10.0 per cent' for deposits of 30 days and upto one year presently prescribed is considered appropriate and not likely to affect the common depositors adversely, depositors have the choice to place funds in longer maturity deposits as banks offer higher rates on longer maturity deposits.